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Message Text

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PAGE 01 JAKART 08654 280953Z
ACTION EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 /063 W
----------063173 300447Z /10
R 280809Z JUN 78
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 9822
INFO AMCONSUL MEDAN
AMCONSUL SURABAYA

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E.O. 11652: N/A
TAGS: EINV, ID
SUBJECT: INDONESIAN INVESTMENT CLIMATE

REF: JAKARTA 8362

1. DURING A CALL ON NEW MINISTER OF INDUSTRIES SOEHOED, THE AMBASSADOR EXPRESSED CONCERN OVER THE LACK OF SIGNIFICANT NEW INVESTMENT IN INDONESIA AND ASKED ABOUT EFFORTS TO IMPROVE THE SITUATION. SOEHOED AGREED THAT THE SERIOUS DECLINE IN FOREIGN INVESTMENT WAS CAUSE FOR REAL CONCERN AND SAID HE GAVE TOP PRIORITY TO THE REESTABLISHMENT OF FOREIGN INVESTOR CONFIDENCE IN INDONESIA. HE SAID HIS EFFORTS TO CONVINCE OUTSIDE INVESTORS, ESPECIALLY IN THE U.S., THAT THINGS HAVE CHANGED IN INDONESIA WILL INCLUDE VISITS AND OTHER ACTIVITIES IN THE U.S. NEXT SPRING.

2. IN RESPONSE TO A QUESTION SOEHOED SAID THE NEW "ONE STOP" INVESTMENT CENTER HAS NOT REALLY GOTTEN OFF THE GROUND, IN PART BECAUSE SOME OFFICIALS FROM CUSTOMS AND THE TAX OFFICE OPPOSE GIVING REAL BENEFITS TO FOREIGN INVESTORS. SOEHOED FEELS IT NECESSARY TO REBUILD THE INVESTMENT
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PAGE 02 JAKART 08654 280953Z

BOARD WITH NEW PEOPLE AND TO STRENGTHEN ITS TERMS OF REFERENCE. HE ANTICIPATES THE ANNOUNCEMENT OF DECISIONS LIBERALIZING THE GOI'S INVESTMENT REGULATIONS IN SEPTEMBER, IN CONJUNCTION WITH A STANFORD RESEARCH INSTITUTE-SPONSORED SEMINAR.

3. SOEHOED NOTED THE GOI'S STRONG INTEREST IN ATTRACTING

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

LABOR INTENSIVE INDUSTRIES AND SAID HE PERSONALLY AT-
TACHES GREAT IMPORTANCE TO AGRICULTURAL INVESTMENT. HE
MENTIONED RUBBER, COFFEE, TEA AND PALM OIL AS BEING
PARTICULARLY ATTRACTIVE. HE ALSO EXPRESSED HOPE THAT
U.S. COMPANIES MIGHT BE INTERESTED IN EFFORTS TO PRODUCE
RICE AND CORN ON LARGE AGRICULTURAL ETATES AND THUS HELP
REDUCE INDOESIA'S FOOD GAP.

4. COMMENT: THE FACT OF SOEHOED'S KEEN AWARENESS OF
THE NEED TO REJUVENATE INDONESIA'S INVESTMENT CLIMATE
IS WELCOME. HE UNDERSTANDS BETTER THAN MANY GOI OFFI-
CIALS THE POTENTIAL BENEFITS TO THE INDONESIAN ECONOMY
OF FOREIGN INVESTMENT, AND, PERHAPS BECAUSE OF THIS,
IS MORE SYMPATHETIC TO THE PROBLEMS FOREIGN BUSINESSMEN
FACE HERE. SOEHOED AFTEN WAS HAMSTRUNG IN HIS EFFORTS TO
IMPROVE THE INVESTMENT CLIMATE WHILE IN HIS HOL
POSITION OF DEPUTY CHAIRMAN OF THE INESTMENT BOARD.
HOPEFULLY HIS GREATER CLOUT AS A MINISTER WILL ENABLE
HIM TO PUSH THROUGH SOME MUCH NEEDED REFORMS.
MASTERS

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EO Systematic Review
20 Mar 2014
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